

CHABOT - LAS POSITAS COMMUNITY COLLEGE DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

Chapter 961, Statutes of 1975,
and Chapter 1213, Statutes of 1991

July 1, 2005, through June 30, 2007



JOHN CHIANG
California State Controller

September 2013



JOHN CHIANG
California State Controller

September 24, 2013

Judy E. Walters, Ph.D., Interim Chancellor
Chabot - Las Positas Community College District
5020 Franklin Drive
Pleasanton, CA 94588

Dear Dr. Walters:

The State Controller's Office audited the costs claimed by Chabot - Las Positas Community College District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2005, through June 30, 2007.

The district claimed \$181,813 for the mandated program. Our audit found that \$106,458 is allowable and \$75,355 is unallowable. The costs are unallowable because the district claimed unallowable salaries, benefits, and related indirect costs; claimed unallowable contract services; understated Winton Act base-year costs; and understated indirect costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$106,458, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/nh

cc: Christine Atalig, Specialist
College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Mollie Quasebarth, Principal Program Budget Analyst
Education Systems Unit
California Department of Finance
Mario Rodriguez, Finance Budget Analyst
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	6

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Chabot - Las Positas Community College District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2005, through June 30, 2007.

The district claimed \$181,813 for the mandated program. Our audit found that \$106,458 is allowable and \$75,355 is unallowable. The costs are unallowable because the district claimed unallowable salaries, benefits, and related indirect costs; claimed unallowable contract services; understated Winton Act base-year direct costs; and understated indirect costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$106,458, contingent upon available appropriations.

Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives related to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [CSM]) determined that the Rodda Act imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Chapter 1213, Statutes of 1991, added Government Code section 3547.5, requiring school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding.

On August 20, 1998, the CSM determined that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561. Costs of publicly disclosing major provisions of collective bargaining agreements that districts incurred after July 1, 1996, are allowable.

Claimants are allowed to claim increased costs. For components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven components are as follows:

- G1 - Determining bargaining units and exclusive representatives
- G2 - Election of unit representatives
- G3 - Costs of negotiations
- G4 - Impasse proceedings
- G5 - Collective bargaining agreement disclosure
- G6 - Contract administration
- G7 - Unfair labor practice costs

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on October 22, 1980, and amended them ten times, most recently on January 29, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Legislatively Mandated Collective Bargaining Program for the period of July 1, 2005, through June 30, 2007.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Chabot - Las Positas Community College District claimed \$181,813 for costs of the Collective Bargaining Program. Our audit found that \$106,458 is allowable and \$75,355 is unallowable.

For the fiscal year (FY) 2005-06 claim, the State made no payment to the district. Our audit found that \$59,095 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$59,095, contingent upon available appropriations.

For the FY 2006 claim, the State made no payments to the district. Our audit found that \$47,363 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$47,363, contingent upon available appropriations.

Views of Responsible Official

We discussed our audit results with the district's representative during an exit conference conducted on March 22, 2013. Judy Hutchinson, Budget Officer, agreed with the audit results. In an email dated April 24, 2013, Ms. Hutchinson stated that the claim, filed over six years ago, was submitted with the understanding of the parameters that existed at that time. She added that the district made note of our recommendations. In an email dated August 20, 2013, Ms. Hutchinson confirmed that the district would like to skip the draft audit report and proceed to a final report.

Restricted Use

This report is solely for the information and use of Chabot - Las Positas Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

September 24, 2013

Schedule 1— Summary of Program Costs July 1, 2005, through June 30, 2007

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct Costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 31,608	\$ 19,206	\$ (12,402)	Finding 1
Materials and supplies	1,039	1,039	—	
Contract services	3,686	3,686	—	Finding 2
Subtotal, component activities G1-G3	36,333	23,931	(12,402)	
Less adjusted base-year direct costs	—	(17,665)	(17,665)	Finding 3
Total increased direct costs, components G1 through G3	36,333	6,266	(30,067)	
Component activities G4 through G7:				
Salaries and benefits	16,657	3,250	(13,407)	Finding 1
Materials and supplies	461	461	—	
Contract services	49,697	33,723	(15,974)	Finding 2
Total increased direct costs, G4 through G7	66,815	37,434	(29,381)	
Total increased direct costs, G1 through G7	103,148	43,700	(59,448)	
Indirect costs	17,263	15,395	(1,868)	Finding 1, 4
Total program costs	<u>\$ 120,411</u>	59,095	<u>\$ (61,316)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 59,095</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct Costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 10,651	\$ 8,164	\$ (2,487)	Finding 1
Contract services	43,155	43,155	—	Finding 2
Subtotal, component activities G1-G3	53,806	51,319	(2,487)	
Less adjusted base-year direct costs	—	(18,357)	(18,357)	Finding 3
Total increased direct costs, components G1 through G3	53,806	32,962	(20,844)	
Component activities G4 through G7:				
Salaries and benefits	2,422	1,833	(589)	Finding 1
Contract services	1,229	—	(1,229)	Finding 2
Total increased direct costs, G4 through G7	3,651	1,833	(1,818)	
Total increased direct costs, G1 through G7	57,457	34,795	(22,662)	
Indirect costs	3,945	12,568	8,623	Finding 1, 4
Total program costs	<u>\$ 61,402</u>	47,363	<u>\$ (14,039)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,363</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2005, through June 30, 2007</u>				
Total increased direct costs	\$ 160,605	\$ 78,495	\$ (82,110)	
Indirect costs	<u>21,208</u>	<u>27,963</u>	<u>6,755</u>	
Total program costs	<u>\$ 181,813</u>	106,458	<u>\$ (75,355)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 106,458</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salaries, benefits, and related indirect costs

The district claimed \$61,338 in salaries and benefits during the audit period. We determined that \$32,453 is allowable and \$28,885 is unallowable. The costs are unallowable because the district overstated costs related to the Cost of Negotiation, Impasse Proceedings, and Contract Administration cost components.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the audit period by reimbursable cost component:

Cost Components	Amount Claimed	Amount Allowable	Audit Adjustment
<u>FY 2005-06</u>			
Salaries and benefits:			
Cost of Negotiations	\$ 31,608	\$ 19,206	\$ (12,402)
Impasse Proceedings	10,926	3,150	(7,776)
Contract Administration	5,631	-	(5,631)
Unfair Labor Practice charges	100	100	-
Subtotal, salaries and benefits	48,265	22,456	(25,809)
<u>FY 2006-07</u>			
Salaries and benefits:			
Cost of Negotiations	10,651	8,164	(2,487)
Impasse Proceedings	982	393	(589)
Unfair Labor Practice Charges	1,440	1,440	-
Subtotal, salaries and benefits	13,073	9,997	(3,076)
<u>Total</u>			
Salaries and benefits:			
Cost of Negotiations	42,259	27,370	(14,889)
Impasse Proceedings	11,908	3,543	(8,365)
Contract Administration	5,631	-	(5,631)
Unfair Labor Practice Charges	1,540	1,540	-
Total, salaries and benefits	\$ 61,338	\$ 32,453	\$ (28,885)

The program's parameters and guidelines (section G) state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Component G3 – Cost of Negotiations

The district claimed \$42,259 for the Cost of Negotiations cost component during the audit period. We determined that \$27,370 is allowable and \$14,889 is unallowable. The costs are unallowable because the district claimed non-mandated activities (\$13,047), did not provide documentation supporting costs claimed (\$2,864), and understated the productive hourly rate (\$1,022). Specifically, the district:

- Overstated salaries and benefits totaling \$10,560 for FY 2005-06 and \$2,487 for FY 2006-07 for individual negotiation preparation. These costs are not reimbursable because the activity is not identified in the parameters and guidelines as reimbursable.
- Overstated salaries and benefits totaling \$2,864 for FY 2005-06 for at-table negotiation sessions. The district did not provide documentation supporting costs claimed for 33.50 hours for an employee.
- Understated the productive hourly rate totaling \$1,022 for FY 2005-06 because it did not include its cost-of-living adjustment (COLA) of 5.62%.

Component G4 – Impasse Proceedings

The district claimed \$11,907 for the Impasse Proceedings cost component during the audit period. We determined that \$3,543 is allowable and \$8,365 is unallowable. The costs are unallowable because the district claimed non-mandated activities (\$6,193), did not provide documentation supporting costs claimed (\$2,340), and understated its productive hourly rate (\$168). Specifically, the district:

- Overstated salaries and benefits totaling \$5,604 for FY 2005-06 and \$589 for FY 2006-07 for preparing for mediation and/or fact-finding proceedings. The activities are not identified in the parameters and guidelines as reimbursable.
- Overstated salaries and benefits totaling \$2,340 for FY 2005-06 for attending mediation sessions and fact-finding sessions. The district did not provide documentation to support costs claimed for 34 hours.
- Understated productive hourly rate totaling \$168 for FY 2005-06 because it did not include its COLA of 5.62%.

Component G6 – Contract Administration

The district claimed \$5,631 for the Contract Administration cost component for FY 2005-06. We determined that the entire amount is unallowable because contract updates and contract interpretations at staff meetings are not identified in the parameters and guidelines as reimbursable.

Recommendation

We recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines, and are properly supported. Supporting documentation should identify the mandated functions performed and support the actual number of hours devoted to each function.

**FINDING 2—
Unallowable contract
services**

The district claimed \$97,767 in contract services for the audit period. We determined that \$80,564 is allowable and \$17,203 is unallowable. The costs are unallowable because the district overstated costs of Contract Administration cost component.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the audit period by reimbursable component:

Costs Components	Amount Claimed	Amount Allowable	Audit Adjustment
<u>FY 2005-06</u>			
Contract services:			
Cost of Negotiations	\$ 3,686	\$ 3,686	\$ -
Impasse Proceedings	31,732	31,732	-
Contract Administration	15,974	-	(15,974)
Unfair Labor Practice Charges	1,991	1,991	-
Subtotal, contract services	53,383	37,409	(15,974)
<u>FY 2006-07</u>			
Contract services:			
Cost of Negotiations	43,155	43,155	-
Contract Administration	1,229	-	(1,229)
Subtotal, contract services	44,384	43,155	(1,229)
<u>Total</u>			
Contract services:			
Cost of Negotiations	46,841	46,841	-
Impasse Proceedings	31,732	31,732	-
Contract Administration	17,203	-	(17,203)
Unfair Labor Practice Charges	1,991	1,991	-
Total, contract services	\$ 97,767	\$ 80,564	\$ (17,203)

Component G6 – Contract Administration

The district claimed costs totaling \$17,203 for the Contract Administration cost component. We determined that the entire amount is unallowable. The costs are unallowable because the activities claimed are not reimbursable under the parameters and guidelines. Specifically, the district:

- Claimed ineligible costs of \$2,500 for FY 2005-06 for an online collective bargaining database. The purpose of the database was to provide online access to comprehensive statewide information submitted by other participating districts so that the district could develop collective bargaining strategies and proposals for negotiations with the unions.

- Claimed ineligible costs of \$13,474 for FY 2005-06 and \$1,229 for FY 2006-07 for attorney services related to contract interpretation under the Contract Administration component. These costs are not allowable because the activity is not identified in the parameters and guidelines as reimbursable.

Recommendation

We recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines, and are properly supported. Supporting documentation should identify the mandated functions performed, as required by the claiming instructions.

**FINDING 3—
Understated Winton
Act base-year direct
cost**

The district understated the Winton Act base-year direct costs by \$36,022 (\$17,665 in FY 2005-06 and \$18,357 in FY 2007-08). The district did not calculate the Winton Act base-year direct costs.

The following table summarizes the calculation of unclaimed Winton Act base-year direct costs for the audit period:

	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Total</u>
<u>Winton Act Base-Year Direct Costs</u>			
Claimed	\$ -	\$ -	
Allowed	<u>4,554</u>	<u>4,554.00</u>	
Unclaimed costs	\$ (4,554)	\$ (4,554)	
Implicit Price Deflator (IPD)	<u>x 3.879</u>	<u>x 4.031</u>	
Audit Adjustment	<u>\$ (17,665)</u>	<u>\$ (18,357)</u>	<u>\$ (36,022)</u>

For component activities G1, G2, and G3, the parameters and guidelines state:

Determination of the “increased costs” for each of these three components requires the costs of current year Rodda Act activities to be offset [reduced] by the cost of the base-year Winton Act activities...

Winton Act base-year costs are adjusted by the Implicit Price Deflator prior to offset against the current year Rodda Act costs for these three components. The Implicit Price Deflator [IPD] shall be listed in the annual claiming instructions of the State Controller.

The district reported \$4,554 for its Winton Act base-year 1974-75 direct cost in its filed claims for FY 1999-2000 and FY 2000-01. The district did not report in its claims the Winton Act base-year direct costs for FY 2005-06 and FY 2006-07. The IPD is 3.879 for FY 2005-06 and 4.031 for FY 2006-07.

Recommendation

We recommend that the district properly report all base-year costs on its mandated cost claims by using the correct IPD as indicated on the SCO’s claiming instructions.

**FINDING 4—
Understated indirect
costs**

The district claimed \$21,208 in indirect costs for the audit period. We determined that the district understated indirect costs in the net amount of \$6,755. The understatement occurred because the district overstated salaries and benefits, understated the indirect cost rate, and did not apply the indirect cost rate to contract services.

The following table summarizes the calculation of indirect costs for the audit period:

	Fiscal Year		Total
	2005-06	2006-07	
Allowable increased direct costs	\$ 43,700	\$ 34,795	
Allowable indirect cost rate	35.23%	36.12%	
Allowable indirect costs	\$ 15,395	\$ 12,568	
Indirect costs claimed	(17,263)	(3,945)	
Audit adjustment	\$ (1,868)	\$ 8,623	\$ 6,755

The district claimed an indirect cost rate using the SCO's FAM-29C methodology of 34.69% for FY 2005-06 and 30.18% for FY 2006-07. The FAM-29C indirect cost rate methodology is allowed by the parameters and guidelines.

For FY 2005-06 and FY 2006-07, the SCO's claiming instructions state:

. . .The FAM-29C methodology uses a direct cost base comprised of salary and benefit costs and operating expenses...

The indirect cost rate computation includes any depreciation or use allowance applicable to district buildings and equipment. Districts calculate depreciation or use allowance costs separately from the CCFS-311 report and should calculate them in accordance with OMB Circular A-21.

The district did not provide documentation supporting its calculation of the indirect cost rates. We obtained the CCFS-311 and the notes to the basic financial statements (for depreciation information) from the California Community Colleges Chancellor's Office and recalculated the FAM-29C rate of 35.23% for FY 2005-06 and 36.12% for FY 2006-07.

For FY 2005-06 and FY 2006-07, the district applied its indirect cost rate to total direct costs, excluding contract services. However, the district should have applied the indirect cost rate to total direct costs, including contract services.

The error occurred because the district followed the claiming instructions for the Collective Bargaining Program (Form CB-1 and related instructions) that inadvertently excluded contract services from the calculation of indirect costs. These instructions have since been corrected.

Recommendation

We recommend that the district support its calculation of indirect costs and follow the updated guidance in the SCO's claiming instructions for calculating indirect costs on contract services.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>